

217659

STATE OF SOUTH CAROLINA

(Caption of Case)

Melanie Wilson

Complainant/Petitioner,

v.

Utilities Services of South Carolina, Inc.,

Defendant/Respondent.

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2009 - 75 - W

(Please type or print)

Submitted by: Benjamin P. Mustian, Esquire

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☐ Request for item to be placed on Commission's Agenda expeditiously

☒ Other:

INDUSTRY (Check one)

- ☐ Electric
☐ Electric/Gas
☐ Electric/Telecommunications
☐ Electric/Water
☐ Electric/Water/Telecom.
☐ Electric/Water/Sewer
☐ Gas
☐ Railroad
☐ Sewer
☐ Telecommunications
☐ Transportation
☒ Water
☐ Water/Sewer
☐ Administrative Matter
☐ Other: _____

NATURE OF ACTION (Check all that apply)

- | | | |
|--|--|--|
| <input type="checkbox"/> Affidavit | <input type="checkbox"/> Letter | <input type="checkbox"/> Request |
| <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certification |
| <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigation |
| <input type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement |
| <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment |
| <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter |
| <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response |
| <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery |
| <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition |
| <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation |
| <input type="checkbox"/> Discovery | <input checked="" type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena |
| <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff |
| <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | |
| <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | |
| <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | |

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July 6, 2009


VIA FIRST CLASS MAIL

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
Post Office Box 11649
Columbia, South Carolina 29211

RE: Melanie Wilson, Complainant/Petitioner v. Utilities Services of South Carolina,
Inc., Defendant/ Respondent. Docket No.: 2009-75-W

Dear Mr. Terreni:

Enclosed for filing on behalf of Utilities Services of South Carolina, Inc. are the original and twenty-five (25) copies of the Direct Testimony of Bruce T. Haas in the above-referenced matter. By copy of this letter, I am serving a copy of these documents upon the parties of record and enclose a Certificate of Service to that effect.

 I would appreciate your acknowledging receipt of these documents by date-stamping the extra copies that are enclosed and returning the same to me via our courier.

If you have any questions, or if you need any additional information, please do not hesitate to contact me.

Sincerely,

WILLOUGHBY & HOEFER, P.A.



Benjamin P. Mustian

BPM/cf
Enclosures

The Honorable Charles L.A. Terreni

July 6, 2009

Page 2

cc: Jeffrey M. Nelson, Esquire
Melanie Wilson

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-75-W

IN RE:)
)
Melanie Wilson,)
)
Complainant/Petitioner)
)
v.)
)
Utilities Services of South Carolina, Inc.,)
)
Defendant/Respondent.)
_____)

DIRECT TESTIMONY
OF
BRUCE T. HAAS

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Bruce T. Haas, and my business address is 110 Queen Parkway, West
3 Columbia, South Carolina 29169.

4 **Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am Regional Director of Operations for Utilities Services of South Carolina, Inc.
6 ("USSC") for South Carolina and for six other operating subsidiaries of Utilities, Inc. ("UT"),
7 four of which are in South Carolina and two of which are in Georgia.

8 **Q. HOW LONG HAVE YOU BEEN EMPLOYED IN THE WATER AND SEWER**
9 **UTILITY INDUSTRY?**

10 A. Approximately 31 years.

1 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

2 A. I first began my employment as a meter reader and maintenance worker in 1978 by
3 Lake Holiday Utilities, Corp., which is also a subsidiary of the Company's parent, UI.
4 During the next several years, I was promoted to Operator and Operating Manager positions
5 for a number of UI subsidiary systems, while earning various water and wastewater licenses
6 in Illinois and Ohio, including the highest levels of water treatment and wastewater treatment
7 licenses from the Illinois EPA. I eventually became the Area Manager for the Peoria, Illinois
8 region, overseeing the water and wastewater facilities in this area. In 1989, I transferred to
9 Charlotte, North Carolina where I accepted the position of Area Manager for several areas for
10 Carolina Water Service, Inc. of North Carolina, a sister subsidiary of the Company, a job I
11 also performed for the Company which involved operations of the River Hills and Tega Cay
12 Systems in York County, South Carolina. I was eventually promoted to Regional Manager
13 while in Charlotte. During this time I also obtained various water and wastewater licenses in
14 Water Treatment, Water Distribution, Wastewater Collection, and Backflow/Cross-
15 Connection certifications from the State of North Carolina and took night courses in Civil
16 Engineering Technology. I also hold the highest levels of water and wastewater certifications
17 for Water Treatment, Water Distribution, Wastewater Treatment and Wastewater Collection
18 from the State of South Carolina. Additionally, I have successfully completed the utility
19 regulation seminar sponsored by NARUC. In 2002, I was promoted to my current position as
20 Regional Director and given responsibility for the Company's systems in South Carolina,
21 along with two subsidiary companies located in Georgia. However, the majority of my time
22 is spent working on issues pertaining to the Company's South Carolina systems.

1 **Q. WHAT ARE YOUR DUTIES WITH USSC?**

2 A. I am responsible for making sure our customers receive the best possible service. As
3 such, I am responsible for all operating personnel, facilities, maintenance and capital
4 projects. I oversee all customer relations issues including resolution of customer complaints.
5 In addition, I am responsible for communications with state and federal regulators, including
6 state utility commissions and environmental authorities as well as other operational issues.
7 In this capacity, I assist USSC with proceedings before the Public Service Commission of
8 South Carolina (“Commission”) and most recently presented testimony on the Company’s
9 behalf in its rate filings in Docket Nos. 2005-217-WS and 2007-286-WS.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING, MR.**
11 **HAAS?**

12 A. The purpose of my testimony is to respond to the direct testimony of Ms. Melanie
13 Wilson filed in support of her complaint against the company.

14 **Q. WHAT IS YOUR UNDERSTANDING OF THE ISSUES RAISED BY MS. WILSON**
15 **IN THIS PROCEEDING?**

16 A. I understand Ms. Wilson’s direct testimony to raise concerns about the Company’s
17 billing procedures, the provision in its Commission approved rate schedule pertaining to the
18 pass-through of bulk water costs incurred by the Company, the clarity of the Company’s rate
19 schedule, recovery of expenses for unaccounted for water, and the allocation of shared
20 expenses between USSC and UI’s other South Carolina water and sewer utilities.

21 **Q. WHAT COMMENTS DO YOU HAVE REGARDING MS. WILSON’S TESTIMONY**
22 **ADDRESSED TO TIMELY BILLING BY THE COMPANY?**

1 A. First, let me state that USSC, I and all other Company employees regret very much
2 any inconvenience delayed billing has caused for Ms. Wilson and other customers. We also
3 regret the fact that delayed billing has caused this proceeding to be brought before the
4 Commission. Ms. Wilson complains of receiving a bill dated May 14, 2008 for water
5 consumed from February 14, 2008 to March 10, 2008. This delay in billing was partly
6 associated with the implementation of rates under bond pursuant to Commission Order No.
7 2008-269 issued April 25, 2008. As the other invoices attached as Exhibit A1 and A2
8 demonstrate, the billing delay identified by Ms. Wilson in April 2008 is uncommon and
9 delays due to this difficulty have largely been resolved. However, the Company did
10 experience other delayed billing problems which arose out a well-intended effort.
11 Specifically, and as the Commission is aware, USSC recently converted to a new computer
12 software and hardware system pursuant to the recommendation made in the Management
13 Audit conducted of UI and its subsidiaries by Schumacher and Company at the request of
14 ORS. One feature of the new computer operating system, which USSC brought on line on
15 June 2, 2008, is a program called "Customer Care and Billing" ("CCB") that handles all of
16 the customer consumption and billing functions. In the transition to CCB from USSC's prior
17 billing system, an error occurred in the billings to Ms. Wilson and certain other USSC
18 customers. The nature of the error was two-fold. First, because the CCB program contained
19 no historic consumption data, it was necessary to estimate consumption for the initial billing
20 to customers under CCB where an actual meter reading was not available. Unfortunately, the
21 program parameters for estimation set up for the initial billing were set too low. As a result,
22 many of the customers of jurisdictional utilities that are subsidiaries of UI, including USSC,

1 received bills for service rendered in June and July with estimated amounts of water
2 consumption that were significantly less than the actual amounts of water consumption. Ms.
3 Wilson was one of the affected customers, and she received a statement in July which was
4 based upon an estimated consumption amount of 10,087 gallons for a fifty seven (57) day
5 period, which was low. Ms. Wilson then received a statement in August for 12,653 gallons
6 for a thirty (30) day service period, which had the effect of "correcting" her consumption for
7 the eighty seven (87) day service period covered by the two bills. As a result, Ms. Wilson
8 was not overcharged for water service provided in June and July of 2008. Second, it appears
9 that errors in the bar coding of bill envelopes may have prevented the postal service from
10 reading the bar codes on bills issued on behalf of UI entities, primarily in South Carolina. UI
11 has since removed the bar code which seems to have alleviated the problem.

12 Upon discovering these errors, a letter was sent to customers informing them of the
13 error and providing them with information regarding the nature of the error, how it might
14 have affected them, steps being taken to address the effects of the error, assurances that no
15 customer would be penalized as a result of the error, and apologizing for any inconvenience
16 caused by the error. A copy of this letter is attached to my testimony as Exhibit "A". As it
17 reflects, this letter also offered a direct means of contact with the President of USSC's parent
18 company so that customers could provide feedback to him. The Company's records do not
19 reflect that Ms. Wilson availed herself of this opportunity, which is still available to her.

20 **Q. DID USSC ACT IN ACCORDANCE WITH COMMISSION REGULATIONS WHEN**
21 **IT BILLED MS. WILSON FOR THE UNDERRECOVERED CHARGES FOR HER**
22 **JULY CONSUMPTION?**

1 A. Yes. Under Commission Regulation R.103-733.3, USSC is permitted to recover
2 inadvertent undercharges over the period of time in which the undercharges occurred which,
3 in the case of Ms. Wilson, would have been only two months. USSC has worked, and will
4 continue to work, closely with ORS to address the effect of the billing problems occasioned
5 by the computer error to ensure that no customer suffers economic hardship as a result of the
6 transition of USSC's billing system to CCB.

7 **Q. WHAT COMMENT DO YOU HAVE ABOUT MS. WILSON'S COMMENT THAT**
8 **DELAYED BILLING PUTS HER AT A DISADVANTAGE WITH DISCOVERING**
9 **UNDETECTED LEAKS?**

10 A. I would respectfully disagree with Ms. Wilson in this regard. First, I would note that
11 USSC has largely resolved the billing delays as I previously discussed. Further, once the
12 errors causing the delayed billings were discovered, information pertaining to the problem
13 was posted on the Company's website in addition to the letter sent customers I previously
14 described. However, if Ms. Wilson or other customers do not receive a timely bill in the
15 future, they may contact our customer service center directly at the number printed on
16 customer invoices or via the Company's website and initiate an inquiry regarding a delayed
17 bill. Therefore, Ms. Wilson has many avenues in which she can resolve her concerns about
18 undetected leaks.

19 **Q. WHAT IS YOUR UNDERSTANDING OF MS. WILSON'S TESTIMONY**
20 **REGARDING THE PASS-THROUGH PROVISION OF USSC'S RATE SCHEDULE?**

21 A. I understand Ms. Wilson to be asserting that USSC is not employing the pass-through
22 provision of its rate schedule in a manner consistent with Commission orders because we

1 pass through to customers the entire cost of bulk water instead of adjusting our approved
2 water service rates for any increase in bulk water costs.

3 **Q. DO YOU AGREE WITH HER ASSERTION IN THAT REGARD?**

4 A. No, I do not. I believe it is important to first explain how the water rate schedule
5 approved by the Commission for USSC in Docket Number 2005-217-WS is structured and
6 operates with respect to charges rendered to two different types of residential water
7 customers – those who receive water that is supplied from wells owned by USSC and those
8 who receive water supplied by bulk providers. For all customers, USSC is authorized to
9 recover a basic facilities charge, or “BFC.” The BFC is a minimum monthly charge that
10 recovers a portion of the fixed costs of utility service such that each customer pays a share of
11 the cost of the water facilities necessary to provide service. All customers also pay a
12 commodity charge, but the amount differs depending on the type of customer. The
13 commodity charge for customers whose water is supplied by USSC is based upon each
14 customer’s consumption and is designed to recover costs associated with the production,
15 treatment and transmission of the water supplied.

16 In certain of our water systems, USSC distributes water purchased from bulk
17 suppliers, which are typically governmental entities such as municipalities, counties or
18 special purpose districts. For customers like Ms. Wilson who receive bulk supplied water,
19 USSC is authorized to collect a commodity charge related to its costs incurred in distributing
20 the bulk water. This commodity charge is lower than that imposed on customers who are
21 supplied water from USSC’s wells. In addition to the BFC and this “reduced” commodity
22 charge, USSC is also allowed to pass through directly to these customers the costs of the bulk

1 water on a pro rata basis without markup. These charges are set out in “Charges for Water
2 Distribution Only” portion of Section 1 of USSC’s water rate schedule approved by the
3 Commission in Order Number 2006-22. We refer to customers charged under this portion of
4 our rate schedule as “Distribution Only” customers. On our bills to customers, the pass-
5 through amount is stated separately as the “water supply charge.”

6 **Q. IS MS. WILSON CHARGED FOR WATER IN ACCORDANCE WITH THIS**
7 **PROVISION OF THE COMPANY’S RATE SCHEDULE?**

8 A. Yes. USSC charges Ms. Wilson and all of its other customers in the Lakewood
9 Subdivision, the BFC, the distribution only customer commodity charge and a pro rata share
10 of the charges incurred from the bulk supplier in accordance with this portion of the
11 Company’s Commission approved rate schedule.

12 **Q. DOES USSC RECOVER ANY OF ITS COSTS FOR BULK WATER AS PART OF**
13 **EITHER THE BFC OR THE COMMODITY CHARGE IMPOSED UPON**
14 **“DISTRIBUTION ONLY” CUSTOMERS?**

15 A. No, it does not. When the pass through provision approved by the Commission for
16 use by USSC was placed into effect, the costs for bulk water obtained from governmental
17 suppliers were removed from expenses allowed to USSC for rate making purposes. As is
18 reflected in the “reduced” commodity charge, these costs were removed from USSC’s base
19 rates and are not recovered through either the BFC or the distribution charge. The effect of

1 this change in determining USSC's allowable expenses was that USSC began to recover the
2 cost of bulk water directly from those customers receiving water supplied by bulk providers
3 instead of USSC.

4 **Q. WHAT COMMENT DO YOU HAVE REGARDING MS. WILSON'S CONTENTION**
5 **THAT USSC HAS NOT PROVIDED NOTICE WHEN BULK SUPPLIERS**
6 **INCREASE THEIR CHARGES TO USSC?**

7 A. I would respectfully disagree with Ms. Wilson to the extent that she is asserting that
8 USSC has failed to notify the Commission when a bulk supplier has notified the Company of
9 an increase in its bulk rates. Unfortunately, the only bulk supplier that has ever notified
10 USSC of any increase since this provision of the Company's rate schedule became effective
11 has been the City of West Columbia. In that instance, USSC informed both the Commission
12 and the customers of the increase although the notice could not be given exactly as
13 contemplated by Commission Order Number 2006-22 in Docket Number 2005-217-WS.
14 This was because the City of West Columbia only provided USSC 24 days notice before the
15 increase was to take effect. Additionally, USSC recently became aware that Hammond
16 Water District ("Hammond"), which provides bulk water service to the Lakewood
17 subdivision where Ms. Wilson resides, planned to increase its rates for bulk water supply;
18 however, Hammond failed to notify USSC of the pending increase. Once it learned of the
19 rate change, USSC immediately notified the Commission and all of the affected customers in
20 accordance with Order Number 2009-256. The notice provided by the Company is attached
21 as Exhibit B to Ms. Wilson's testimony

22 **Q. HAS THE COMPANY EXPERIENCED SIMILAR PROBLEMS WITH OTHER**

1 **BULK SUPPLIERS?**

2 A. Yes. In fact USSC has experienced similar notice problems with the City of
3 Columbia which has never provided USSC a notice of any increase in its bulk water charges.

4 **Q. ARE YOU AWARE OF ANY EFFORTS TO ENCOURAGE USSC'S BULK**
5 **SUPPLIERS TO PROVIDE ADVANCE NOTICE TO THE COMPANY OF**
6 **INCREASES IN THEIR BULK RATES?**

7 A. Yes. I am aware that, as a result of the abbreviated notice USSC received from the
8 City of West Columbia, the Commission previously requested ORS to address the need for
9 advance notice from governmental suppliers of bulk water of increases in their rates.
10 According to its letter dated November 14, 2006, filed in Docket No. 2005-217-WS, ORS
11 has mailed requests to each of the bulk suppliers serving USSC requesting that they provide
12 sufficient notice of any increases in their bulk rates. This effort does not appear to have been
13 successful to date, however, as is demonstrated by our experience with Hammond and the
14 City of Columbia. Since the bulk suppliers are governmental entities, it is my understanding
15 that they are exempt from regulation by the Commission and therefore may not be required to
16 provide such notice. Because of these difficulties, the Commission has previously waived
17 strict compliance with the requirements of Order Number 2006-22 in this regard.

18 **Q. MS. WILSON STATES THAT USSC CLAIMED THAT ITS CUSTOMERS WERE**
19 **ONLY SUPPOSED TO SEE A WATER SUPPLY CHARGE OF THREE DOLLARS**
20 **AND SIXTY THREE CENT PER ONE THOUSAND GALLONS AS A RESULT OF**
21 **THE COMMISSION'S APPROVAL OF THE PASS-THROUGH PROVISION OF**
22 **THE COMPANY RATE SCHEDULE IN 2005; IS THAT CORRECT?**

1 A. No. Ms. Wilson's testimony cites a pass-through amount that was calculated by
2 ORS with respect to a rate case brought by USSC in 2005. However, neither ORS nor USSC
3 asserted in that proceeding that the amount of bulk water costs recovered from customers
4 would be set based upon the then current per thousand gallon charge imposed by bulk
5 suppliers on USSC. In fact, both USSC's rate schedule and the ORS testimony exhibit
6 described in Ms. Wilson's testimony specify that the bulk supply charges will be passed
7 through "on a pro rata basis without markup." This language clearly permits USSC to pass
8 through to customers the entire dollar amount of a bill of a bulk supplier in an amount
9 proportionate to their consumption and that is exactly what the Company has done. And,
10 USSC is not limited to recovering only the supplier's applicable per thousand gallon charge
11 as Ms. Wilson suggests. The ORS testimony exhibit she relies upon contemplates that the
12 bulk rate will change inasmuch as it states that bulk charges may contain a base facility
13 charge and a commodity charge imposed by the bulk supplier. Therefore, in those situations,
14 the per thousand gallon charge passed through by USSC would necessarily be higher than the
15 supplier's commodity charge.

16 Finally, the total charges passed through to USSC's distribution customers will vary
17 due to the fact that the governmental suppliers charge for the total amount of water supplied.
18 This amount includes water consumed by the customers, non-account, which includes
19 documented flushing and leaks on the system, and unaccounted for account water. Because
20 this amount can vary from month to month, the proportionate amount passed through to
21 customers will similarly vary and affect the monthly pass through amount.

22 **Q. MS. WILSON'S TESTIMONY IMPLIES THAT USSC IS NOT COMPLYING WITH**

**THE PROCEDURE APPROVED BY THE COMMISSION FOR SERVICE
RENDERED BY KIAWAH ISLAND UTILITY; IS USSC REQUIRED TO FOLLOW
THE SAME PROCEDURE ?**

A. No. The rate schedule approved by the Commission for Kiawah Island Utility, or “KIU”, does not contain a pass-through. As described in Order No. 2002-285, the Commission permits KIU to increase its approved **rate** for water service to a customer by the amount of any documented increase in the cost of purchased water acquired by KIU from the St. John’s Water Company. This process allows KIU to avoid the need to periodically request rate relief in order to adjust its **rates** to recover increases in its recurring purchased water expense. I would note that KIU only serves one area and purchases all of its bulk water from a single supplier. By contrast, the pass-through provision in USSC’s approved rate schedule is a means by which the charges imposed by multiple providers of bulk water to USSC are passed through directly to the customers receiving bulk water. As the Commission is aware, USSC serves over 82 systems in eight counties using a number of bulk providers. Therefore, the amount of bulk charges for USSC can change on a monthly basis and USSC’s Commission approved tariff allowing the Company to pass through changes in the amount of bulk water costs when they occur is appropriate.

**Q. IS THE COMPANY OPPOSED TO CHANGING THE PASS THROUGH
PROVISION IN ITS RATE SCHEDULE AS THE MS. WILSON REQUESTS?**

A. Yes, but let me qualify my answer to that question by saying that rate design is a matter within the discretion of the Commission. I would note, however, that elimination of the pass-through provision would necessarily result in these costs being recovered through

1 the Company's base rates and would result in increases in monthly bills for some customers
2 and decreases in monthly bills for other customers. Furthermore, such a revision in the
3 Company's currently approved rate schedule would affect all USSC rate payers and could,
4 therefore, only be addressed in a general rate making proceeding.

5 **Q. MS. WILSON REQUESTS THAT THE COMMISSION REVERSE THE PASS**
6 **THROUGH MECHANISM; WHAT COMMENT DO YOU HAVE ON THIS**
7 **REQUEST AND ASSERTION?**

8 A. As I have previously explained, the Company has applied the pass through provision
9 of its Commission approved rate schedule appropriately and has recovered from customers
10 no more than the costs incurred by USSC in obtaining bulk water from Hammond.
11 Therefore, any requirement that USSC credit or refund customer accounts would result in an
12 impermissible retroactive reduction of these customers' rates. Furthermore, while such a
13 reimbursement would result in a credit for some distribution-only customers, many other
14 customers, including USSC's full service customers, would necessarily be subjected to rate
15 **increases** in order to reflect the inclusion of bulk water expenses in USSC's general rate
16 structure. Also, if such a refund were allowed, USSC should similarly be allowed to recover
17 the cost of the refund resulting in a one-time assessment from the rest of its customer base;
18 otherwise, the Company would be unable to recover its already incurred expenses and would
19 not be allowed to earn a fair return on its investment. Such a request by Ms. Wilson is
20 clearly unreasonable, would work an undue hardship on the Company and many of its other
21 customers throughout South Carolina, and is simply inconsistent with long-standing
22 regulatory practices.

1 **Q. DO YOU HAVE ANY COMMENTS WITH RESPECT TO MS. WILSON’S**
2 **TESTIMONY THAT THE NOTICES ISSUED RELATED TO USSC’S RECENT**
3 **RATE CASES ARE DIFFICULT TO UNDERSTAND?**

4 A. I would note that the notices attached to Ms. Wilson’s testimony are official notices
5 issued by the Commission and are mailed to each customer at the Commission’s directive.
6 Further, it is my understanding that these notices are designed to properly inform customers
7 of the requested rate increase as required by Commission statutes and regulations. USSC
8 understands that certain of these notices may be confusing to some customers and is always
9 willing to provide an explanation whenever requested. As I stated previously, the
10 Company’s customers are certainly able to contact its customer service department anytime a
11 customer has a question about a rate increase or the Company’s tariff in general. Further, I
12 understand that the customers may and have contacted ORS for similar assistance with the
13 Company’s tariffs.

14 **Q. DO YOU HAVE ANY RESPONSE TO MS. WILSON’S TESTIMONY REGARDING**
15 **UNACCOUNTED FOR WATER?**

16 A. Yes, I do. Ms. Wilson states that the burden of paying for unmetered water from as
17 leaks in the system and flushing of the system should not be born solely by the customer. In
18 order to address this allegation, it is first important to understand how and where water is
19 consumed and used on a water system. Water supply is primarily consumed by customers
20 and is directly recorded through the use of water meters which register the gallons each
21 customer consumes. However, certain amounts of water are also consumed by the utility in
22 its provision of water service. This water consumption is typically referred to as “non-

1 account water” and includes water consumed by the utility to flush water lines so as to
2 provide safe and reliable water service. USSC performs regular flushing to ensure the
3 provision of safe and reliable water service by removing buildup of minerals and other
4 deposits and improving water quality. A flushing program such as that employed by USSC
5 and approved by the South Carolina Department of Environmental Control necessarily
6 consumes large amounts of water on the system which contributes to the amount of water
7 purchased from bulk suppliers.

8 Non-account water also includes documented water loss incurred due to main breaks
9 or leaks. While USSC employs a maintenance program and a capital improvements program
10 on its water systems, the nature of providing utility water services unfortunately results in
11 unavoidable main breaks and water leaks. In accordance with the American Waterworks
12 Association, or AWWA, standard, water consumed as a result of leaks or breaks is properly
13 included as non-account water when the Company can identify the amount of water lost.

14 The remaining amount of water is typically referred to as “unaccounted for water.”
15 Unaccounted for water largely consists of undetected leaks or other forms of water loss. For
16 example, as I testified in the Company’s most recent rate case, USSC became aware of leaks
17 on only a few of its systems which went undetected for a period of time. Unfortunately, these
18 leaks did not manifest themselves in surface water ponding and, as such, were very difficult
19 to locate. In order to limit water loss from these types of events, the Company undertook a
20 water audit in accordance with AWWA standards in all systems where unaccounted for water
21 either exceeds the 10% standard deemed acceptable by the AWWA or was a negative
22 number. In addition, in all water systems that exceeded that standard, the Company

1 implemented a leak detection program and began recording all account water use, requested
2 permission of bulk water providers to test their master meters, and compared those test
3 results to customer meters, in order to assist in determining the cause of both excess
4 unaccounted for water and negative unaccounted for water.

5 **Q. DO YOU AGREE WITH MS. WILSON'S SUGGESTION THAT THE COMPANY**
6 **DOES NOT HAVE AN INCENTIVE TO AGGRESSIVELY TARGET AND REPAIR**
7 **LEAKS ON ITS SYSTEM? IN**

8 A. No I do not. First, I would note that the Commission has previously accepted a 10%
9 unaccounted for water standard as being reasonable and appropriate in its Order Number
10 2002-866 in Docket Number 2002-239-W/S, dated December 23, 2002. Therefore, I
11 disagree that Lakewood subdivision incurs an excessive amount of unmetered water and that
12 Ms. Wilson's suggestion in this regard is unwarranted. Furthermore, pursuant to an
13 agreement with ORS, USSC routinely reports unaccounted for water figures to ORS.
14 Therefore, USSC has an incentive to control excessive water losses so as to avoid regulatory
15 proceedings. As I stated previously, for those systems that exceed the AWWA and
16 Commission standard, or which demonstrate a negative water loss, the Company has
17 implemented a leak detection system in an attempt to detect and limit these losses so that
18 excessive costs are neither born by the Company nor its customers. Therefore, I do not
19 believe that an adjustment to the Company's tariff in this regard is warranted, because the
20 Company is already incented to aggressively target leaks on its system.

21 **Q. WITH RESPECT TO FLUSHING, DO YOU BELIEVE THAT THE LAKEWOOD**
22 **SUBDIVISION CUSTOMERS BEAR AN UNDUE BURDEN OF PAYING FOR THIS**

1 **“UNMETERED WATER?”**

2 A. First, let me reiterate that water consumed during flushing is not considered
3 unmetered. Second, the amount of water consumed for flushing is borne by each individual
4 system inasmuch as the water consumed is for the benefit of that particular system. This is
5 best described in responding to Ms. Wilson’s testimony regarding muddy water.

6 **Q. HOW SO?**

7 A. Ms. Wilson states that on May 26, 2009 – which is four months after her complaint in
8 this Docket – muddy water appeared in her washing machine and stained her laundry. The
9 Company’s records reflect that Ms. Wilson contacted USSC about this issue and she has
10 acknowledged that USSC responded promptly. Upon further investigation, the Company
11 determined that Hammond had closed one of the three bulk water connections serving the
12 Lakewood subdivision for a period of about four months while performing new construction.
13 Hammond had not informed USSC of this temporary “disconnection” and, when Hammond
14 reopened the connection, water containing excessive sediments entered the line. As is shown
15 by Exhibit “B” attached to my testimony, USSC flushed the system until the water returned
16 to normal. Therefore, the water was used to correct a problem on Lakewood’s system and
17 directly benefited the customers in that subdivision. I would also note that this problem
18 arose due to issues with the bulk supplier and not from issues with USSC’s system or
19 maintenance procedures.

20 **Q. WOULD YOU PLEASE ADDRESS MS. WILSON’S ALLEGATION THAT USSC**
21 **MAY BE USING MORE THAN AN APPROPRIATE PORTION OF EMPLOYEE**
22 **LABOR COSTS FOR JUSTIFICATION IN THE USSC RATE CASES?**

1 A. Yes. As the Commission is well aware from its nearly thirty years of experience
2 regulating subsidiaries of UI, Water Service Corporation, or WSC, is a wholly owned
3 subsidiary of UI that provides management services to USSC and other operating
4 subsidiaries in the sixteen states where UI has operations. These services include
5 management, administration, engineering, accounting, billing, data processing, and
6 regulatory services for the utility systems and are provided on the basis of a service
7 agreement that has been in effect for a number of years. Some expenses of WSC are charged
8 directly to the affiliated utility companies, while other expenses are classified as indirect
9 charges and are allocated to the operating companies via various allocation procedures which
10 have long been approved by the Commission. This allocation method helps ensure that each
11 subsidiary, and, therefore, each customer, bears its proportionate share of the costs related to
12 WSC's services. While WSC employees may perform work and services for several UI
13 subsidiaries in South Carolina, the costs related to this labor is either directly charged to
14 those companies or is allocated among the subsidiaries as appropriate. As the Commission's
15 decisions through the years accepting this arrangement reflect, this process is cost efficient
16 since it avoids duplication of these services and functions for each operating subsidiary. This
17 conclusion is tested in each rate case by an audit of the allocations and the records of WSC.
18 Therefore, Ms. Wilson's suggestion that the Company is recovering more than appropriate
19 portion of labor costs from its customers is incorrect and contrary to this Commission's
20 previous findings with respect to USSC and the other UI entities in South Carolina.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.



August 7, 2008

RE: IMPORTANT INFORMATION REGARDING YOUR WATER AND/OR SEWER BILL

As previously announced, our company implemented a new Customer Care and Billing system approximately 60 days ago. There are many enhancements in our new system that will help us better serve our customers:

- Ability for real time dispatching of service requests to reduce service disruption time
- Increased operating efficiency
- Cleaner bill design which includes itemization of billing charges, graphs for consumption and billing history
- Billing more closely linked to the usage period, so customers can change their usage or detect possible leaks earlier

Transitioning to a new billing program requires an extensive amount of planning. Even with all of the planning that went towards the implementation of our new system, we experienced some unforeseen issues and have taken the necessary steps to resolve them. During the past 60 days, some of our customers may have experienced a few issues for which we would like to provide you an update:

- A small number of customers may have experienced a delayed first bill cycle, which then shortened the timeframe for their second bill or were billed for two periods together. ***This issue should be resolved after you have received your first two bills.***
- Some customer bills may have been delayed or not received. ***If any of the system start-up issues have caused a late fee to be assessed to your account, they will be automatically waived. You do not need to call Customer Service to be credited for the late fee; these specific late fees will be credited on an upcoming bill.***
- The initial system conversion has caused a greater number of bills to be estimated during this time and in most cases, *underestimated*. The impact of this is that customers may see a higher subsequent bill when the actual read is taken. ***If you are not on an increasing tiered usage rate, your account will be current after you receive a bill based on an actual reading. You are not being billed for any water you have not used, you are just being billed later for that usage. If you DO have an increasing tiered usage rate and your usage was estimated, Customer Service is reviewing your bill and you will receive an adjustment on an upcoming bill. In either case, no action is required on your part.***

As a result of this change, we temporarily received a higher than usual call volume and longer than desired wait times. We value our relationship we have with each of our customers and I apologize for any inconvenience that this transition period may have caused you. We know your time is important. It is our expectation that our new Customer Care and Billing system will be a vast improvement over our prior system and I welcome feedback from you at president.ccb@uiwater.com. In addition, further information can be found at www.uiwater.com/ccbfaq.php.

As always, we look forward to our continued relationships and providing you with the high level of service you have come to expect from Utilities, Inc.

Sincerely,

A handwritten signature in dark ink, appearing to read "Larry Schumacher".

Larry Schumacher
President and CEO

CMRP0008

Utilities Billing System

6/26/2009 14:36

Field Activity Detail Report from 01/01/2009 to 05/30/2009

Page: 1

Sub Division :	231	Route :	S2N	Field Activity ID:	4617700097
Account # :		Customer Name :	SMITH,WAYNE	Phone # :	(864) 261-8282
Address :	1201 WELLWOOD DR			Operator :	KYHARMON
Entry Date :	03/10/2009	SO Type :	M-SIO	Request Type:	General Investigation
Instructions :	@11:31AM MR. SMITH CALLED AND NEEDS LINES LOCATED AND MARKED. PLEASE MARK LINES. THANKS, KIM				
Due Date :	03/13/2009	Resolution Date :	03/13/2009	FA Status :	Completed
Resolution :	Marked main and service line to meter. WG				

Sub Division :	231	Route :	S2N	Field Activity ID:	6442300202
Account # :		Customer Name :	WILSON,MELANIE	Phone # :	(864) 224-9998
Address :	1010 WINDWOOD DR			Operator :	KYHARMON
Entry Date :	05/26/2009	SO Type :	M-SIO	Request Type:	General Investigation
Instructions :	5/26/09 @11:48am Melanie Wilson called and said that she has muddy water in her washing machine; nexteled Wayne to check to this out. Kim				
Due Date :	05/27/2009	Resolution Date :	05/26/2009	FA Status :	Completed
Resolution :	Hammond Water Co. had the master meter cloest to her house off for about 4 months doing new consturction. I turned the meter back on today after there test came back good and after I talked with Ronnie at Hammonds. I pulled her meter flushed until clear.				

2 Field Activities listed.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-75-W


IN RE:)
)
Melanie Wilson,)
)
Complainant/Petitioner)
)
v.)
)
Utilities Services of South Carolina, Inc.,)
)
Defendant/Respondent.)
_____)

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day one (1) copy of the **Direct Testimony of Bruce T. Haas** in the above-referenced action by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Ms. Melanie Wilson
1010 Windwood Drive
Anderson, SC 29621

Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211



Clark Fancher

Columbia, South Carolina
This 6th day of July, 2009.